

# Management Report 2006



## Management Report 2006 American Express Bank GmbH, Frankfurt am Main (AEB)

### Business Environment

American Express Bank GmbH (AEB) continues to focus on selected core businesses: the execution of Euro payments for national and international financial institutions as well as for affiliated companies, foreign trade finance business with national and international financial institutions, consumer lending business, Travelers Cheque Card issuance as well as the distribution of investment funds to institutional clients and their servicing. The latter concerns investment funds the portfolio management of which is undertaken by delegated sub-advisors.

In 2006, the global economy continued its dynamic development with economic growth gaining ground significantly around the world. International trade again supported the global economy, growing by 8.9%<sup>1</sup>. Despite interest rate increases by various central banks, the global economic situation benefited from the still favourable monetary conditions in the most important markets. Thanks to the international orientation of its primary lines of business, AEB was able to capitalize on this development.

The increasingly upward trend in the economy of Federal Republic of Germany also positively impacted AEB's business environment and resulted in a significant increase of private households' demand for consumer lending.

### Development of American Express Bank GmbH's business

#### Summary:

In 2006, AEB's pretax income grew by 37.4% (vs -3% in 2005). This mainly resulted from the continued growth of the two lines of business Financial Institutions Group and Personal and Small Business Lending. In addition, the proceeds from the sale of its deposit and investment funds business to comdirect bank AG, Quickborn, significantly contributed to the bottom line increase.

#### Financial Institutions Group (FIG):

2006 was again a very successful year for FIG. Despite the intense downward pressure on pricing resulting from stiff competition and despite the increasing regulation of the payments business, net revenues grew by 17% compared to 2005. For the sixth year in a row, our market share of all payment products grew at a higher rate than the market itself. The international payments business continues to make a large contribution to the rise in revenues and income. FIG continued to diversify its client base and currently maintains accounts for financial institutions from over 100 countries. Despite the significant growth in volumes, we were able to reduce operational costs.

The successful development of the business is also a result of the FIG marketing initiative conducted for nearly two years. During this time, FIG relationship managers worldwide were mobilized to focus on the marketing of Euro products and services offered by AEB. The Frankfurt Product Management and Marketing Support Group conducted several seminars both for clients and American Express Bank relationship managers and provided updated advertising and marketing material. The seminars conducted abroad proved particularly important in order to meet clients in various regions of the world. All these efforts are reflected positively in the annual results.

#### Personal and Small Business Lending (PSBL):

The positive development of the **Consumer Lending Business** continued in 2006. We were able to increase client lending by 27% year-on-year. We are happy to note that this growth has been driven both by the overdraft facility **DispoEasy**, as well as the instalment loans facility **SofortKredit**. Both product lines yielded growth rates exceeding 20%.

The implementation of a new loan application processing system in December 2006 represented a major transition towards more standardized and speedier processes to the benefit of our clients.

The risk aspects of both product portfolios developed positively and once again demonstrated the excellent quality of the credit portfolio.

#### Global Investment Distribution (GID):

**Global Investment Distribution (GID)** reached break-even in 2006. Ongoing distribution revenues increased by 113.4%.

#### American Express Finanzmanagement GmbH (AEFM):

2006 was a successful year for American Express Finanzmanagement GmbH too. Pretax results improved by 40%, however, the break-even-point could not yet be reached. On a year-on-year basis, with a gain of 1,800 new clients to a total of approximately 4,000 clients, the number of clients serviced nearly doubled. Gross commissions grew by 77%. Nationwide, the AEFM Financial Advisors signed 3,200 new contracts regarding liquidity management, pension and investments. Revenues from new business break down as follows: 77% pension, 15% investments, 8% other financial services. In a highly competitive market, AEFM succeeded in expanding its locations. With 16 locations, AEFM is now represented nationwide.

#### Travelers Cheque Card (TCC):

In the second year subsequent to its launch, the ambitious targets of the Travelers Cheque Card in terms of number of cards issued and billings could not be reached. However, existing cards were used much more intensively and on travel than originally expected.

#### Human Resource Development

The average number of employees in the year under review was 159 (2005: 189). The turnover rate of nearly 20% mainly resulted from the sale of the deposit and investment funds business to comdirect bank AG, Quickborn.

In 2006, the Human Resources department's activities included the consistent implementation of the Performance Management System introduced last year as well as the conceptual design of a performance-oriented compensation system designed to contribute to further enhancing our attractiveness as an employer of choice for talented and engaged employees.

There was an additional focus on diversity measures. In addition to the child care benefit already granted to working employees for a number of years now, in 2006 we started searching for an external co-operation partner for child care in order to enable a smoother reintegration into the workplace after a break for family reasons. Since demographic change is expected to heavily influence our Human Resources work in the years to come, we started analyzing the age mix of our employees and conducted employee interviews in order to prepare for the change. On the occasion of the commencement of the AGG (Equal Opportunity Act) we intensified conducting training for employees and leaders to ensure fairness at the workplace and a work environment free from discrimination.

In order to ensure offering high quality services and advice to our employees, we also conducted appropriate qualification measures and training in 2006.

Traditionally, our company pension plan is an integral part of our benefits package. In addition to the pension plan funded by the employer we offer deferred compensation through the Bankers Insurance Association.

<sup>1</sup> Comp. Experts opinion 2006/2007 regarding the macroeconomic development & growth

American Express encourages employees to engage in community activities beyond their normal jobs. In 2006, we not only allowed room for such activities, but we also offered opportunities for providing "active" support. In addition to participating in the "Lauf für mehr Zeit" ("Run for more Time") of the Frankfurter Aidshilfe (Frankfurt Aids Support), the redesign and planting of the garden of a Frankfurt children's home and actively supporting the Universal Children's Day, our employees had further opportunities to introduce various aid organizations internally and to collect funds.

We were able to present a cheque amounting to US\$ 50,000 to the Federal Association of Societies for the Protection of Children provided by the American Express Foundation in New York. This amount is meant for funding the courses for parents "Starke Eltern. Starke Kinder" ("Strong parents, strong children") designed to enhance the self-assurance of parents in their educational competency and to improve internal family communication.

In co-operation with the Bundesweite Gründerinnenagentur (BGA) [Nationwide Agency for Women's Business Start-ups], the American Express Foundation initiated the Small Business Mentoring Program in March. The project is targeted at supporting women who are unemployed, or have an immigrant background or after a maternity break wish to become self-employed. Already in its first year, 60 mentors and mentees met.

#### **Risk Management and Risk Status**

The Risk Committee, members of which are the General Management, the Heads of lines of business, as well as Risk Management, Treasury and Market Financial Controllershship, meets on a monthly basis in order to monitor and manage risks. Risks to be managed include market risks, counterparty risks, liquidity risks, operational risks as well as legal and employee risks.

In principle, we pursue a conservative risk strategy. The scoring models in place in the retail banking business allow for a robust management of the portfolio quality. In the institutional business, credit is being granted to creditworthy borrowers only and only as far as it is required to grow our core payments business.

The Risk Management Department started its activities in May 2006. The management of the various risks AEB faces in its business, which was previously divided amongst various departments, is now being successively integrated into it. A risk manual as well as a model for calculating risk bearing capacity is under development. The integrity of Accounting and Controlling is being monitored within the framework of a company wide audit procedure. In addition, Internal Audit audits ex post all business units according to a risk structured audit plan.

#### **Market risks**

AEB sees itself as a non-trading book institution. Trading transactions are executed only in order to cover foreign currency positions and to hedge interest positions. Only spot transactions are being executed. Financial derivatives are not being employed.

For the management of foreign currency risks a Value-at-Risk (VaR) model is in place. Risk assessments are based on a confidence level of 99% and a holding period of one day. Volatilities and correlations are being calculated using a database storing historical market prices over the past 260 days for the currencies traded.

Interest rate change risks are being monitored and managed according to the same policies and procedures in place for AEB's parent company using an Earnings-at-Risk (EaR) model. Local Risk Management manages

and monitors compliance within established limits. EaR calculations are reported to the General Management on a weekly basis.

The EaR model used by us reflects replacement cost based on the assumption of historical changes of the interest curve and under consideration of sensitivity measurements. EaR is being calculated by applying parallel shifts of the interest curve in relation to the net interest gap in each currency. The results are being converted in terms of USD by currency and then summed up. Basis point shifts used for the calculation are derived from historical data of interest rate volatilities in each currency.

#### **Liquidity Risks**

For AEB this concerns the capability to ensure that adequate liquidity for payment purposes is guaranteed at all times. AEB possesses the possibility to access American Express Group resources as a source of refinancing at any time. Thus, access to adequate liquidity exists at all times. To ensure professional liquidity planning, Treasury prepares asset maturity schedules and cash flow forecasts, the assumptions of which are reviewed by ALCO during its meetings. The liquidity management follows the liquidity principles of § 11 KWG (German Banking Act). The average liquidity ratio for 2006 was 1.42 with the ratio at the balance sheet date of 31 December 2006 being 1.20.

#### **Counterparty Risks**

The AEB Asset Approval Committee reviews our credit policy and related risks on a quarterly basis and whenever required. With respect to the Financial Institutions business, our credit policy is very closely aligned to that of our parent company. In our strategically important business with foreign correspondent banks, the assessment of country risk plays a predominant role. In markets with potential country risk we accept, as a general rule, only risk from prime borrowers. We generally base our provisions for country risk on internal credit ratings which are comparable to the ratings of the large rating agencies. We, however, may apply more stringent criteria should this make sense according to our local knowledge of market conditions. For the consumer lending business, scoring models have been in place for several years the assumptions of which are subject to ongoing review. Our write-off rate below market norms confirms the validity of our principles of prudence. From a regulatory point of view, both counterparty and market risks are limited by Basic Principle 1 of the KWG (German Banking Act). During 2006, the available capital amounted to EUR 80.4 million on average (end of 2006 EUR 84.3 million). The equity ratio amounted to 14.8 on average (end of 2006: 14.0) with the overall ratio being 14.6 on average (end of 2006: 13.9).

#### **Operational Risks, Legal and Employee Risks**

The effectiveness of fundamental controls in our business processes is reviewed by regular self-assessments. To mitigate operational risks, emergency plans have been developed and warm and hot sites set up. These are tested and updated on a regular basis. Six Sigma based analyses provide insights into the effectiveness and reliability of the operational processes. In addition, the American Express Bank Risk Committee monitors any actual incidents and potential risks in the categories of finance, regulatory requirements, litigation risks as well as potential factors harmful to the American Express brand and decides on any corrective measures. This committee meets regularly every two months.

#### **Financial Standing, Assets and Liabilities, Profit and Loss**

##### **Assets and Liabilities**

Total assets grew in 2006 by EUR 178 million to EUR 1.7 billion. Receivables from financial institutions increased by EUR 117 million to EUR 956 million and receivables from customers increased by EUR 44

million to EUR 301 million. Bonds and notes declined by EUR 12 million to EUR 382 million due to final maturities and sales.

Liabilities towards financial institutions increased by EUR 167 million to EUR 1.5 billion. The liabilities towards customers increased by EUR 12 million to EUR 110 million. Our equity consists of EUR 20 million share capital with EUR 48 million capital reserves.

### **Profit and Loss**

Operating profit increased by 26% to EUR 53.8 million (2005: EUR 42.8 million). When adjusted by extraordinary items related to other operating income, such as the proceeds from the sale of the deposit business, which considerably impacted the operating profit, profit from ordinary operations amounted to EUR 42.9 million. Net commission again grew by 13.0% (2005: 19.6%). This resulted from a higher volume of payments. Net interest income decreased by 7.3% to EUR 40.2 million (2005: EUR 43.3 million). Salaries and wages decreased by 8.6% to EUR 12.2 million (2005: EUR 13.3 million). Social security contributions and pension plan expenses decreased accordingly to EUR 2.9 million (2005: EUR 3.3 million). Personnel expenses include salaries, which are based on fix pay scales, bonuses and awards. The other operating expenses increased by 4.5% to EUR 21.2 million (2005: EUR 20.3 million). Overall, net income increased to EUR 30.2 million (2005: EUR 17.8 million). At the time of preparing the Management Report AEB's financial position is developing positively.

### **Transactions after 31 December 2006**

There were no transactions of significance for the evaluation of the profit and loss statement, assets and liability positions or the financial standing of AEB.

### **Proposal For The Appropriation Of Profits**

General Management will propose to the parent company to distribute the net income of EUR 30,230,707.81.

### **Risks, Opportunities and Outlook**

In the years to come, FIG will continue to further develop existing systems and to launch innovative products in order to defend its leading position. AEB already participates in the EBA STEP2 Clearing System of the European Banking Association. In autumn, AEB will be amongst the first group of banks to join the new payment system TARGET2. AEB will take extensive measures in order to meet the challenges resulting from the expanded requirements regarding risk management and BASEL2.

With regard to the credit and syndications business, according to the general allocation of duties within the parent bank group, AEB plans to focus on EURO denominated credits. We will continue to support our institutional clients with regard to processing documentary credits as well as the foreign trade finance business in order to foster the further growth of commission revenues from the resulting payments business.

In the years to come, **PSBL** will continue to focus on the consumer lending business. Here we continue to expect solid growth rates. The challenge will be to maintain interest margins despite increasing competitive pressure and an intensifying price war. Our acquisition strategy will continue to focus on the overdraft facility „DispoEasy“. On account of its higher margins, this product contributes substantially in improving the profitability of our consumer lending portfolio.

**GID** will strengthen its focus on retail business in order to diversify and sustain fund volumes, thus making it less dependent on the investment decisions of institutional clients, e. g. fund of funds managers. The selection of external asset managers whom we use for our funds will be decisive for the further development of our business in the years to come. In this context, consistent performance of our products will play a major role.

**AEFM** will take into account the changed requirements by MIFID, VVG (Versicherungsvertragsgesetz - Law on Insurance contracts) and the EU Broker Directive through intensified use of our financial planning software, AE Select, advisory documentation and training. The most important mid-term targets will be the doubling of the advisor team, increase of average productivity by 30% as well as a significant increase of our bottom line contribution.

The **TCC** Business Unit will focus on significant cost reduction and accordingly expects new business to be moderate.

AEB will open up a branch in Milan, Italy as of 1 January 2007.

Overall, General Management expects business development to be positive.

We thank all members of staff for their personal commitment throughout the year enabling us again to achieve very good results.

Frankfurt am Main, 22 May 2007



Gertrud Wolfrum



Arnim Kraemer



Michael Spitaliotis

**Balance Sheet as of December 31, 2006, American Express Bank GmbH, Frankfurt am Main, Germany**

ASSETS	Euro	Euro	Euro	DEC. 31, 2005 EUR '000
<b>1. Liquid funds</b>				
a) Cash		6,689.83		10
b) Balance with central banks		27,560,022.15		64
thereof: with German Federal Bank	Euro 27,560,022.15			
c) Balance with postal giro accounts		--	27,566,711.98	--
<b>2. Debt instruments issued by public bodies and bills of exchange eligible for refinancing with central banks</b>				
a) Treasury bills and treasury discount notes and similar debt certificates issued by public authorities		--		--
thereof: Rediscountable at the German Federal Bank	Euro --			
b) Bills of exchange		--	--	--
thereof: Rediscountable at the German Federal Bank	Euro --			
<b>3. Receivables from financial institutions</b>				
a) Due on demand		23,746,241.06		12,428
b) Other receivables		932,688,140.86	956,434,381.92	826,685
<b>4. Receivables from customers</b>			301,204,348.14	257,164
thereof: Secured by real estate lien	Euro --			
Public sector loans	Euro --			
<b>5. Debt securities and other fixed-interest bearing securities</b>				
a) Money market securities				
aa) Issued by public authorities		--		--
thereof: Eligible as collateral at the German Federal Bank	Euro --			
ab) Other money market securities		--	--	--
hereof: Eligible as collateral at the German Federal Bank	Euro --			
b) Bonds and notes				
ba) Issued by public authorities		20,625,775.57		26,465
thereof: Eligible as collateral at the German Federal Bank	Euro 20,625,775.57			
bb) other bonds and notes		361,250,308.51	381,876,084.08	367,148
thereof: Eligible as collateral at the German Federal Bank	Euro 361,250,308.51			
c) Own bonds and notes			381,876,084.08	--
Nominal value	Euro --			
<b>6. Shares and other variable-interest bearing securities</b>			--	--
<b>7. Investments</b>			64,039.30	110
thereof: in credit institutions	Euro 64,039.30			
thereof: in financial services institutions	Euro --			
<b>8. Shares in affiliated companies</b>			3,880,213.52	3,993
thereof: in credit institutions	Euro 140,213.52			
thereof: in financial institutions	Euro --			
<b>9. Trust assets</b>			329,368.27	1,703
of which: Fiduciary loans	Euro 329,368.27			
<b>10. Equalization claims against public authorities including debt securities of their own exchange</b>			--	--
<b>11. Intangible assets</b>			0.12	--
<b>12. Tangible fixed assets</b>			497,706.07	502
<b>13. Unpaid share capital contributions</b>			--	--
thereof: claimed	Euro --			
<b>14. Own stocks and shares</b>			--	--
Nominal value	Euro --			
<b>15. Other assets</b>			40,514,369.15	38,055
<b>16. Prepaid expenses and deferred charges</b>			108,409.96	9
<b>17. Loss not covered by share capital and reserves</b>			--	--
			<b>TOTAL ASSETS</b>	
			1,712,475,632.51	1,534,336

**Balance Sheet as of December 31, 2006, American Express Bank GmbH, Frankfurt am Main, Germany**

LIABILITIES		Euro	Euro	Euro	DEC. 31, 2005 EUR '000
<b>1. Liabilities to financial institutions</b>					
a) payable on demand			431,608,926.15		320,678
b) with fixed maturities or notice periods			1,031,067,392.21	1,462,676,318.36	975,019
<b>2. Liabilities to customers</b>					
a) Savings deposits					
aa) with a term of three month		---			839
ab) with a term of more than three months		---	---		197
b) Other liabilities					
ba) payable on demand		95,160,173.65			78,094
bb) with fixed maturities or notice periods		15,143,319.47	110,303,493.12	110,303,493.12	18,790
<b>3. Certificated liabilities</b>					
a) Debt securities issued			---		-
b) Other certificated liabilities			---	---	-
thereof:					
Money market securities	Euro	---			-
Own acceptances and promissory notes in circulation	Euro	---			-
<b>4. Trust liabilities</b>				329,368.27	1,703
of which: Fiduciary deposits	Euro	329,368.27			
<b>5. Other liabilities</b>				13,155,077.11	27,500
<b>6. Defered income and accrued expenses</b>				858,956.77	604
<b>7. Provisions</b>					
a) Accruals for pensions and similar liabilities			15,389,139.00		14,909
b) Tax accruals			5,333,728.60		3,258
c) Other provisions			5,823,843.47	26,546,711.07	6,533
<b>8. Special untaxed reserves</b>				---	-
<b>9. Subordinated liabilities</b>				---	-
<b>10. Bonus share capital</b>				---	-
thereof: due within two years	Euro	---			-
<b>11. Reserve for general risks of banking business</b>				---	-
<b>12. Equity</b>					
a) Share capital			20,000,000.00		20,000
b) Capital reserve			48,375,000.00		48,375
c) Revenue reserves					
ca) Legal reserves		---			-
cb) Reserve for own shares		---			-
cc) Statutory reserves		---			-
cd) Other revenue reserves		---	---		-
d) Net profit			30,230,707.81	98,605,707.81	17,837
<b>TOTAL LIABILITIES AND EQUITY</b>				1,712,475,632.51	1,534,336

		Euro	Euro	Euro	DEC. 31, 2005 EUR '000
<b>1. Contingent liabilities</b>					
a) Contingent liabilities rediscounted bills			---		-
b) Liabilities from guarantees and indemnity agreements			169,151,552.69		233,757
c) Liabilities from collateral for engagements of third parties			---	169,151,552.69	-
<b>2. Other commitments</b>					
a) Liabilities to repurchase items sold to third parties under recourse purchase agreements			---		-
b) Placement and underwriting commitments			---		-
c) Irrevocable lines of credit granted			---	---	2,392

**Profit and Loss Account for the period from January 1 to December 31, 2006, American Express Bank GmbH, Germany**

	Euro	Euro	Euro	2005 EUR '000
<b>1. Interest income from</b>				
a) Loans and money market transactions	62,241,721.38			46,500
b) Fixed-interest securities and government-inscribed debt	19,995,953.87	82,237,675.25		23,184
<b>2. Interest expense</b>		-42,069,059.10	<b>40,168,616.15</b>	-26,363
<b>3. Current Income from</b>				
a) Equities and other variable-interest securities		--		-
b) Investments		2,682.00		2
c) Shares in affiliated companies		125,000.00	<b>127,682.00</b>	99
<b>4. Profits from pooling, profit transfer agreements or partial profit transfer agreements</b>			--	-
<b>5. Commission income</b>		46,029,488.10		40,707
<b>6. Commission expenses</b>		-894,251.79	<b>45,135,236.31</b>	-763
<b>7. Net income from financial operations</b>			--	-
<b>8. Other operating income</b>			<b>13,212,340.62</b>	2,818
<b>9. Income from liquidation of special reserve items</b>			--	-
<b>10. General administrative expense</b>				
a) Personnel expenditure				
aa) Salaries and wages	-12,159,388.67			-13,306
ab) Social security contributions, pension plan and other assistance expense thereof: pension plan expenses EUR -1,315,006.51	-2,938,911.67	-15,098,300.34		-3,313
b) Other administrative expenses		-21,188,749.01	<b>-36,287,049.35</b>	-20,275
<b>11. Depreciation and value adjustments on intangible and tangible fixed assets</b>			<b>-319,751.44</b>	-412
<b>12. Other operating expenses</b>			<b>-688,655.50</b>	-391
<b>13. Depreciation and value adjustments on receivables and certain securities, additions to loan loss provisions</b>		-10,797,369.58	<b>-10,797,369.58</b>	-11,361
<b>14. Income from write-ups to receivables and certain securities and transfers from loan loss provisions</b>		--	--	
<b>15. Depreciation and value adjustments on investments, shares in affiliated companies and securities treated like fixed assets</b>		--	--	-
<b>16. Income from write-ups to investments, shares in affiliated companies and securities treated like fixed assets</b>		3,223,938.94	<b>3,223,938.94</b>	5,704
<b>17. Losses incurred under profit and loss transfer agreements</b>			<b>-3,973,257.79</b>	-6,590
<b>18. Transfer to special reserve items</b>			--	-
<b>19. Income from continuing operations</b>			<b>49,801,730.36</b>	36,240
<b>20. Extraordinary income</b>		--		-
<b>21. Extraordinary expense</b>		--		-
<b>22. Extraordinary result</b>		--	--	-
<b>23. Taxes on income</b>		-19,570,972.63		-18,403
<b>24. Other taxes (not included in "Other operating expenses")</b>		-49.92	<b>-19,571,022.55</b>	-

**Profit and Loss Account for the period from January 1 to December 31, 2006, American Express Bank GmbH, Germany**

2005

	Euro	Euro	Euro	EUR '000
<b>25. Profits transferred under pooling agreements, profit transfer agreements or partial profit transfer agreements</b>			---	—
<b>26. Net income for the year</b>			<b>30,230,707.81</b>	17,837
<b>27. Profit/Loss brought forward from previous year</b>			---	—
<b>28. Withdrawals from capital reserve</b>			---	—
<b>29. Withdrawals from revenue reserves</b>			<b>30,230,707.81</b>	17,837
a) from legal reserve		---		—
b) from reserve for own shares		---		—
c) from statutory reserves		---		—
d) from other reserves		---		—
<b>30. Income from capital redemption</b>			<b>0.00</b>	—
<b>31. Withdrawals from bonus share capital</b>			---	—
<b>32. Additions to revenue reserves</b>			<b>30,230,707.81</b>	17,837
a) to legal reserve		---		—
b) to reserve for own shares		---		—
c) to statutory reserves		---		—
d) to other reserves		---		—
<b>33. Replenishment of bonus share capital</b>			---	—
<b>34. Balance sheet profit</b>			<b>30,230,707.81</b>	17,837

## Notes to the Accounts of American Express Bank GmbH, Frankfurt am Main for the Business Year 2006

### **A. General Data on the Itemization of the Annual Financial Statement and on the Accounting and Valuation Methods**

The financial statement of American Express Bank GmbH as of December 31, 2006 was prepared in accordance with the provisions of the German Commercial Code (HGB), the German Banking Act (KWG), the Accounting Standards for Financial Institutions (RechKredV) and the GmbHG.

Details and explanations on the Balance Sheet and the Income Statement were generally provided in the Notes to the Accounts, to the extent that this was an option.

Because of the better transparency the income statement was changed from account form into the step-down form. were quoted at their nominal value less any specific reserves for provisions for country risks. Prepaid expenses and deferred income were amortized over the periode to which they apply.

Acute risks were accounted for by specific reserves.

Bonds and fixed interest securities were classified as financial assets and accounted for the lowest value at the balance sheet closing date. The premium of securities and discounts purchased at a price above par is amortized over the term until final maturity.

Investments and shares in affiliated companies were accounted for according to their acquisition cost less any extraordinary depreciation in line with regulations applicable to financial assets.

Fixed and intangible assets were quoted at their acquisition cost less any regular depreciation. Calculation of depreciation was based on the permissible levels under tax regulations. Low value assets are fully depreciated in the year of purchase in accordance with § 6 Section 2 Income Tax Law.

Liabilities were quoted at their amounts repayable. Debt discounts are classified as accrued and deferred items and amortized over time as appropriate.

The accumulated provisions for pensions of the Bank were based on a mathematical insurance model. Underlying this were the insurance tables of the year 2005 at an interest rate of 6%.

Currency conversion was based on the foreign exchange mid-rates taking into account § 340 h of the German Commercial Code (HGB).

**B. Notes on the Balance Sheet****Maturity Breakdown of Receivables According to Remaining Tenor**

	<b>31-Dec-2006</b>	<b>31-Dec-2005</b>
	Euro	Euro
<b>Receivables from financial institutions</b>		
<b>b) Other receivables</b>		
– less than three month	<u>234,299,451.60</u>	<u>253,839,447.64</u>
– three months to less than one year	<u>331,152,288.93</u>	<u>378,163,117.07</u>
– one year to less than five years	<u>367,236,400.33</u>	<u>194,682,668.12</u>
<b>Receivables from customers</b>		
– unspecified maturities	<u>171,195,159.73</u>	<u>132,996,763.37</u>
– less than three month	<u>1,340,350.17</u>	<u>920,166.81</u>
– three months to less than one year	<u>19,003,676.71</u>	<u>44,562,871.18</u>
– one year to less than five years	<u>103,081,422.97</u>	<u>69,749,253.77</u>
– five years or more	<u>6,583,738.56</u>	<u>8,934,749.45</u>
<b>Receivables from affiliates</b>	Euro	Euro
– Banks	<u>123,527,593.10</u>	<u>160,712,140.92</u>
– Non-Banks	<u>5,187,001.73</u>	<u>4,601,157.54</u>
<b>Bonds and notes</b>	Euro	Euro
listed	<u>381,876,084.08</u>	<u>393,613,694.43</u>
Bonds and notes issued by		
government or government agencies	<u>20,625,775.57</u>	<u>26,465,321.91</u>
other issues	<u>361,250,308.51</u>	<u>367,148,372.52</u>
have an original term of more than four years		

All bond and note holdings are classified as fixed assets. Probable decrease in value has been taken into account, and no further mark to market value adjustment is required.

The following securities mature in 2006:

Securities/Security identification number	Nominal value Tsd. EUR	Book value Tsd. EUR	Due date
Bonds of the Spanish Kingdom			
135400	5,113	<u>5,405</u>	Januar 3, 2007
Bonds of the Federal Republic of Italy			
193720	5,000	<u>5,157</u>	Juli 10, 2007
Dresdner Finance B.V.			
279820	4,000	<u>4,149</u>	Januar 19, 2007
Kreditanstalt für Wiederaufbau			
291253	5,000	<u>5,177</u>	Juli 4, 2007
		<b>31-Dec-2006</b>	<b>31-Dec-2005</b>
		Euro	Euro
<b>Investments</b>	not listed	<u>76,429.85</u>	<u>110,078.17</u>
	not negotiable	<u>76,429.85</u>	<u>110,078.17</u>
<b>Shares in affiliated companies</b>	not listed	<u>3,880,213.52</u>	<u>3,992,822.97</u>
	negotiable	<u>127,822.97</u>	<u>127,822.97</u>

The Bank holds a 100% investment in AEB-International Portfolio Management Company S. A. in Luxembourg with net equity of Euro 127,822.97. Net profit for the fiscal year 2006 amounted to Euro 90,901.–. Euro 100,000.– were distributed in September 2006. There is also a 100% investment in American Express Finanzmanagement GmbH, Heidelberg with net equity of Euro 150,000.–. The company generated a loss of Euro 3,973,257.79, which was taken over by the bank to 100%.

	<b>31-Dec-2006</b>	<b>31-Dec-2005</b>
	Euro	Euro
<b>Fiduciary assets</b>		
<b>Receivables from financial institutions</b>	<u>329,368.12</u>	<u>1,703,103.96</u>
other receivables	<u>329,368.12</u>	<u>1,703,103.96</u>
<b>Gross fixed assets</b>	refer to appendix	
<b>Intangible assets</b>	<u>0.12</u>	<u>69.39</u>
<b>Tangible assets</b>		
Office furniture and equipment	<u>497,706.19</u>	<u>501,741.60</u>
<b>Other assets</b>		
Cheques for collection	<u>40,309,490.34</u>	<u>37,242,615.71</u>
<b>Breakdown of maturities of liabilities</b>		
<b>Liabilities to financial institutions</b>		
<b>b) with fixed maturities or notice periods</b>		
– less than three months	<u>12,624,553.81</u>	<u>16,303,576.56</u>
– three months to less than one year	<u>2,428,779.00</u>	<u>2,486,848.38</u>
– one year to less than five years	<u>89,986.66</u>	<u>–.---</u>
<b>Liabilities to customers</b>		
<b>a) Saving deposits</b>		
<b>ab) with an agreed notice period</b>		
– three months to less than one year	<u>–.---</u>	<u>116,754.85</u>
– one year to less than five years	<u>–.---</u>	<u>80,655.45</u>
<b>b) Other liabilities</b>		
<b>bb) with fixed maturities or notice periods</b>		
– less than three months	<u>12,624,553.81</u>	<u>16,303,576.56</u>
– three months to less than one year	<u>2,428,779.00</u>	<u>2,486,848.38</u>
– one year to less than five years	<u>89,986.66</u>	<u>–.---</u>
<b>Liabilities to affiliates</b>		
– Banks	<u>914,346,260.61</u>	<u>885,511,521.90</u>
– Non-Banks	<u>53,698,784.52</u>	<u>29,132,601.30</u>

	<b>31-Dec-2006</b>	<b>31-Dec-2005</b>
	Euro	Euro
<b>Fiduciary liabilities</b>		
Fiduciary credits	<u>329,368.12</u>	<u>1,703,103.96</u>
	329,368.12	1,703,103.96
<b>Other liabilities</b>		
Travelers Cheque Card	<u>11,705,958.45</u>	<u>14,564,523.10</u>
Deposit for sale of Miranda	<u>–,–</u>	<u>9,100,000.00</u>
	–,–	9,100,000.00
<b>Total foreign currency assets in EUR</b>	<u>603,788,006.58</u>	<u>616,993,449.01</u>
	603,788,006.58	616,993,449.01
<b>Total foreign currency liabilities in EUR</b>	<u>603,382,015.14</u>	<u>616,959,093.31</u>
	603,382,015.14	616,959,093.31
<b>Contingent liabilities</b>		
from bills of exchange transferred for settlement	<u>–,–</u>	<u>–,–</u>
from guarantees and indemnity agreements	<u>169,151,552.69</u>	<u>233,757,110.16</u>
	–,–	–,–
	169,151,552.69	233,757,110.16
<b>The nominal value of contingent liabilities</b>		
Letters of credits – gross	<u>151,915,057.31</u>	<u>219,139,035.14</u>
	151,915,057.31	219,139,035.14
less cash collateral	<u>188,706,149.69</u>	<u>254,267,141.24</u>
– foreign banks	<u>16,554,597.00</u>	<u>16,410,031.08</u>
– other domestic creditors	<u>–,–</u>	<u>–,–</u>
– other foreign creditors	<u>3,000,000.00</u>	<u>4,100,000.00</u>
	–,–	–,–
	3,000,000.00	4,100,000.00
	<b>169,151,552.69</b>	<b>233,757,110.16</b>

### C. Notes to the Income Statement

#### Breakdown according to geographic markets

<b>Interest income:</b>	<b>USA</b>	5,667 TEuro
	<b>Indien</b>	4,362 TEuro
	<b>Italien</b>	2,583 TEuro
	<b>Süd Korea</b>	1,821 TEuro
	<b>Bangladesch</b>	1,467 TEuro
	<b>Pakistan</b>	1,438 TEuro

A geographic breakdown for all other countries is not appropriate because the bank's structure does not differentiate in this regard.

#### Other operational income

The other operational income includes mainly the revenue from sale of deposit business and transaction to the Comdirect-Bank AG, Quickborn amounted to Euro 10,900,000.00.

Commissions for work performed Euro 0.00 (last year: Tsd. Euro 1,685).

#### Other operational expenditures:

The other operational expenditures mainly relate to cost allocations with affiliated companies.

The operating profit from regular business is reduced by income taxes amounting to Euro 19,570,972.63 (2005.: Euro 18,402,768.48).

**D. Additional Information****Forward transactions not yet settled per Balance Sheet date****– 10 Spot exchange transactions with a fair market value of Tsd. Euro 1.063**

with a contract period from 28 December 2006 to 2 January 2007 Tsd. Euro 293, from 29 December 2006 to 3 January 2007 Tsd. Euro 678, and from 29 December 2006 to 4 January 2007 Tsd. Euro 92

**Other financial commitments:**

	<u>Annual</u>	<u>Cumulative</u>
	Euro	Euro
Office rent Th.-Heuss-Allee 112 until 30.04.2008	1.051.218,84	1.401.625,12
Proportional reserve liability towards Liquiditäts-Konsortialbank GmbH, Frankfurt am Main		500.000,00

**General Management** comprised the following members in 2006:

<b>Gertrud Wolfrum</b>	Chairperson	General Manager	Dipl. Betriebswirtin
<b>Arnim Kraemer</b>		General Manager	Dipl. Volkswirt
<b>Michael Spitaliotis</b>	since April 01, 2006	General Manager	Bachelor of Arts, Economics

General management expenses amounted to 736 Tsd. Euro in the year under review. No loans were granted. 1,454 Tsd. Euro provisions for pension fund on behalf of former members of General Management were made. No further provisions are required. 74 Tsd. Euro pension payments are made.

**The average number of employees in 2006**

– divided into groups-was as follows

<b>Non-exempt</b>	wage group 1–3:	–
	wage group 4–9:	113
<b>Exempt:</b>		46

**Group Consolidation**

The consolidated statement for the largest possible group of affiliated companies is prepared by American Express Company, New York, USA, and the consolidated statement for the smallest possible group of affiliated companies is prepared by American Express Bank, Ltd., New York, USA. Both statements are published in New York.

**Capital Funds**

From approval of annual accounts, non realized reserves from bonds and other fixed income securities (2005: **Euro 8,955,000.00**) are no longer shown.

**Proposal for the appropriation of profits**

General Management propose to distribute this year's net profit of **EUR 30,230,707.81**.

Frankfurt am Main, May 22, 2007



Gertrud Wolfrum



Arnim Kraemer



Michael Spitaliotis

### Changes in Fixed Assets and Participations from Jan.1, 2006 to Dec.31, 2006

	Purchase Price/ Production Cost		Increases		Decreases		Adjustments		Production Cost		Addition Fixed Assets		Tax Depreciation Depreciation and Value Adjustment		Net Book Value	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
		Current Year	Current Year	Current Year	31.12.2006	Total	Current Year	Total	Current Year	Total	Current Year	Total	Current Year	Total	31.12.2006	31.12.2005
<b>Investments</b>	234,299.51	0.00	170,260.21	0.00	64,039.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	64,039.30	110,078.17
<b>Shares in Affiliated Companies</b>	3,992,822.97	12,390.55	125,000.00	0.00	3,880,213.52	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,880,213.52	3,992,822.97
<b>Investments Securities (incl. Interest)</b>	397,012,579.09	91,726,300.00	99,121,859.92	0.00	389,617,019.18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	381,876,084.08	393,613,694.43
<b>Intangible Assets</b>	394,395.18	0.00	0.00	0.00	394,395.18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.12	69.39
Real Estate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fixtures	1,518,567.79	0.00	0.00	0.00	1,518,567.79	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,518,567.79	1,518,567.79
Office Equipment	811,055.87	7,141.54	0.00	0.00	818,197.41	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	818,197.41	818,197.41
Office Machines	449,365.52	6,907.41	4,871.51	0.00	451,401.42	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	451,401.42	451,401.42
Vehicle	202,998.58	266,747.82	55,995.84	0.00	413,750.56	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	413,750.56	413,750.56
Computers	2,315,885.61	66,385.26	54,226.42	0.00	2,328,044.45	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,328,044.45	2,328,044.45
Low Value Assets	0.00	7,838.08	7,838.08	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Tangible Assets</b>	5,297,873.37	355,020.11	122,931.85	0.00	5,529,961.63	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	497,706.07	501,741.60
<b>TOTAL</b>	406,931,970.12	92,093,710.66	99,540,051.98	0.00	399,485,628.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	386,318,043.09	398,218,406.56

\*) Incl. Interest

Net book value per 31.12.2006 contains interest amounted to Euro 10,568,005.20

Net book value per 31.12.2005 contains interest amounted to Euro 11,704,734.24

## Auditor's Report (Translation, the German text is authoritative)

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system and the management report of American Express Bank GmbH, Frankfurt am Main, for the business year from January 1 to December 31, 2006. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions in the articles of incorporation are the responsibility of the Company's Board of Managing Directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § (Article) 317 HGB ("Handelsgesetzbuch": "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the

annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions in the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, May 23, 2007

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Rabeling  
Wirtschaftsprüfer  
(German Public Auditor)

Atton  
Wirtschaftsprüfer  
(German Public Auditor)